



MONEX

Week Ahead

27th April - 1st May 2026

Central banks to stay on hold

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INTRODUCTION

Continuing the theme of recent weeks, conflict in the Middle East provided the dominant catalyst for FX price action over the week just gone. As of writing late on Friday, the dollar enters the weekend having chalked up a net gain, with a lack of progress in peace negotiations between the US and Iran pushing up oil prices and weighing on risk sentiment. With all eyes on the talks in Pakistan, other data catalysts were largely overshadowed, with CPI data for Canada, the UK, and Japan having little discernible market impact. Assuming no breakthrough before Monday, we expect this pattern to hold again in the week ahead.

Still, the coming week sees a number of major central banks delivering rate decisions that we suspect markets will find harder to ignore. The BoJ, BoC, Fed, BoE, and ECB are all due to hold policy meetings. All are widely expected to leave rates on hold. But for traders, it is forward guidance that will be key, and here we could see notable dispersion. We think markets have been too aggressive in pricing in rate hikes for the ECB and BoE in particular, and look for pushback from policymakers in the week ahead to weigh on the euro and sterling. If realised, that should help support the dollar on a relative basis, keeping the greenback on the front foot, albeit still very much at the mercy of ongoing peace negotiations.

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ECONOMIC CALENDAR

All times in BST

Monday 27/04

Time	Country	Event	Period	Estimate	Prior
9:00	Switzerland	Total Sight Deposits CHF	24-Apr		453.6b

Tuesday 28/04

Time	Country	Event	Period	Estimate	Prior
0:30	Japan	Jobless Rate	Mar	2.60%	2.60%
		Job-To-Applicant Ratio	Mar	1.18	1.19
9:00	Eurozone	ECB Bank Lending Survey			
		ECB 1 Year CPI Expectations	Mar		2.50%
		ECB 3 Year CPI Expectations	Mar		2.50%
13:00	Hungary	Central Bank Rate Decision	28-Apr	6.25%	6.25%

Wednesday 29/04

Time	Country	Event	Period	Estimate	Prior
1:30	New Zealand	RBNZ's Breman Speaks on Panel			
2:30	Australia	CPI YoY	Mar	4.80%	3.70%
		CPI Trimmed Mean YoY	Mar	3.30%	3.30%
		CPI Trimmed Mean QoQ	1Q	0.90%	0.90%
		CPI Trimmed Mean YoY	1Q	3.50%	3.40%
		CPI QoQ	1Q	1.40%	0.60%
7:00	Sweden	GDP Indicator SA MoM	Mar		0.00%
		GDP Indicator WDA YoY	Mar		1.60%
		GDP Indicator SA QoQ	1Q		0.20%
		GDP Indicator WDA YoY	1Q		1.80%
		Wages Non-Manual Workers YoY	Feb		3.50%
8:00	Spain	CPI MoM	Apr P		1.20%
		CPI YoY	Apr P		3.40%
		CPI Core YoY	Apr P		2.90%
13:00	Germany	CPI MoM	Apr P	0.70%	1.10%
		CPI YoY	Apr P	2.90%	2.70%
14:45	Canada	Bank of Canada Rate Decision	29-Apr	2.25%	2.25%
19:00	United States	FOMC Rate Decision (Upper Bound)	29-Apr	3.75%	3.75%
		FOMC Rate Decision (Lower Bound)	29-Apr	3.50%	3.50%
22:30	Brazil	Selic Rate	29-Apr		14.75%

Thursday 30/04

Time	Country	Event	Period	Estimate	Prior
2:30	China	Manufacturing PMI	Apr	50.2	50.4
		Non-manufacturing PMI	Apr	49.9	50.1
		Composite PMI	Apr		50.5
2:45	China	RatingDog China PMI Mfg	Apr	50.8	50.8
6:30	France	GDP QoQ	1Q P	0.20%	0.20%
		GDP YoY	1Q P	1.20%	1.20%
7:00	Norway	Unemployment Rate SA	Apr		2.10%
7:45	France	CPI MoM	Apr P	0.90%	1.00%
		CPI YoY	Apr P	2.00%	1.70%
		Private Sector Payrolls QoQ	1Q P		-0.10%
8:00	Switzerland	KOF Leading Indicator	Apr	96.8	96.1
8:30	Poland	CPI MoM	Apr P		1.10%
		CPI YoY	Apr P	3.00%	3.00%
8:55	Germany	Unemployment Change (000's)	Apr	2.5k	0.0k
		Unemployment Claims Rate SA	Apr	6.30%	6.30%
9:00	Germany	GDP SA QoQ	1Q P	0.20%	0.30%
		GDP WDA YoY	1Q P	0.30%	0.40%
10:00	Eurozone	GDP SA QoQ	1Q A	0.20%	0.20%
		GDP SA YoY	1Q A	0.90%	1.20%
		CPI YoY	Apr P	3.00%	2.60%
		CPI MoM	Apr P	1.00%	1.30%
		CPI Core YoY	Apr P	2.20%	2.30%
		Unemployment Rate	Mar	6.20%	6.20%
	Italy	CPI NIC incl. tobacco YoY	Apr P		1.70%
		CPI NIC incl. tobacco MoM	Apr P		0.50%
12:00	United Kingdom	Bank of England Bank Rate	30-Apr	3.75%	3.75%
13:00	Mexico	GDP NSA YoY	1Q P		1.80%
		GDP SA QoQ	1Q P		0.90%
13:15	Eurozone	ECB Deposit Facility Rate	30-Apr	2.00%	2.00%
13:30	Canada	GDP MoM	Feb	0.20%	0.10%
		GDP YoY	Feb	1.00%	0.60%
	United States	Personal Income	Mar	0.40%	-0.10%
		Personal Spending	Mar	0.90%	0.50%
		PCE Price Index MoM	Mar	0.70%	0.40%
		PCE Price Index YoY	Mar	3.50%	2.80%

Time	Country	Event	Period	Estimate	Prior
	United States	Core PCE Price Index MoM	Mar	0.30%	0.40%
		Core PCE Price Index YoY	Mar	3.20%	3.00%
		Initial Jobless Claims	25-Apr		214k
		Employment Cost Index	1Q	0.80%	0.70%
		GDP Annualized QoQ	1Q A	2.00%	0.50%
		Personal Consumption	1Q A	1.60%	1.90%
		Core PCE Price Index QoQ	1Q A		2.70%

Friday 01/05

Time	Country	Event	Period	Estimate	Prior
12:15	United Kingdom	BOE Chief Economist Pill Speaks in Online Briefing			
15:00	United States	ISM Manufacturing	Apr	53.3	52.7
		ISM Prices Paid	Apr	82	78.3
		ISM New Orders	Apr	55	53.5
		ISM Employment	Apr		48.7

DATA PREVIEWS

BoJ preview: Pressure building

Our assumption is that no hike will be forthcoming from the BoJ in the week ahead, in keeping with recent guidance, meaning that the policy rate will stay at 0.75% for the time being. Nevertheless, the rationale for hiking continues to build. We expect Governor Ueda to steer markets toward the prospect of a June rate increase, reflecting both rising inflationary pressures, and a need to support the yen with USDJPY nudging toward 160 ahead of this latest decision.

Indeed, if it had not been for the explicit pushback from officials over recent weeks, we would have gone into this meeting anticipating a rate increase. March inflation came in above expectations, rising to 1.5% YoY, while core price growth dipped only modestly, remaining above target at 2.4%. And that is all before the impact of higher energy costs, stemming from events in the Middle East, filters through. Plus, recently announced pay negotiations have continued to exceed expectations, suggesting that inflationary pressures remain well embedded.

Still, that has seemingly not been enough to convince Governor Ueda and Co. But with USDJPY threatening to test 160, we strongly suspect that he will throw markets a bone. A hawkish steer will help to weigh against yen depreciation pressures, reinforcing recent verbals around FX intervention. As such, a strong hint toward a June rate rise looks likely. That should be enough to keep USDJPY below 160 for the time being, albeit insufficient to see the pair detach meaningfully from its current ceiling.

BoC preview: On hold, skewing slightly dovish

Perhaps the most interesting comment from the March round of policy meetings came from the BoC, with Macklem observing that, had it not been for the recent spike in energy prices, the BoC would have seriously considered cutting rates. That, we think, offers some notable insight into how the Governing Council is viewing domestic economic conditions. Data since the start of the year have been poor, particularly labour market readings. And while March publications showed some signs of improvement, the economy still looks far from healthy. That should keep Canadian rates on hold at 2.25% on Wednesday, likely accompanied by a modest dovish tilt, relative to market expectations.

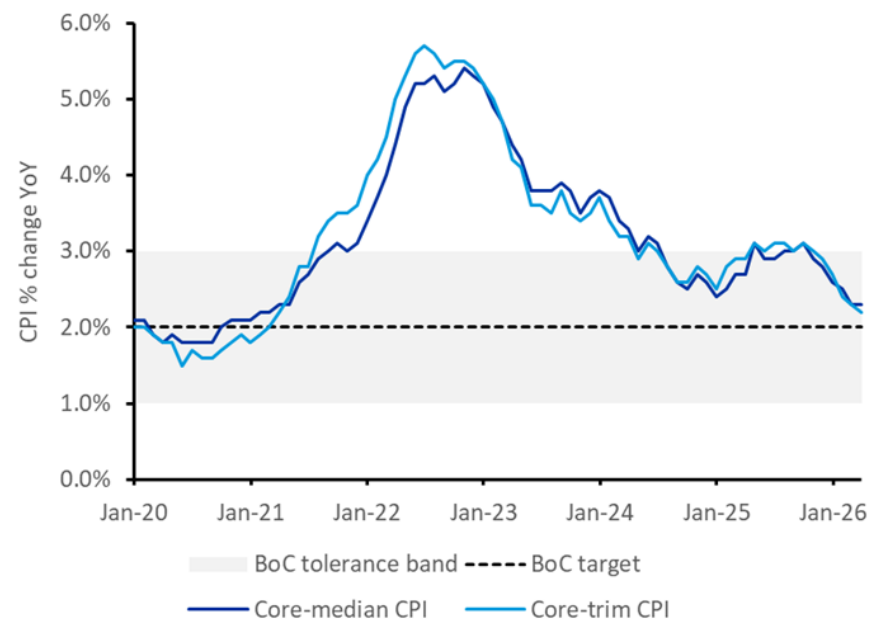
Indeed, the Canadian economy added just 14k jobs in March, coming on the back of two consecutive months of net payroll falls, while the unemployment rate remains elevated at 6.7%. Most importantly, inflationary pressures

continue to cool, despite the ongoing energy price shock. While headline inflation jumped from 1.8% YoY in February, to 2.4% in March, this was less than expected by markets. More pertinently, the core median and core trim measures of price growth, favoured by the BoC as indicative of underlying inflationary strength, were little impacted by rising energy costs. The former remained unchanged at 2.3% YoY, the latter dipped by 0.1pp, and now sits at 2.2%. Stripping out the impact of energy costs entirely, CPI ex-food and energy rose 1.9% in the year to March, down from 2.0% in February and 0.3% below consensus expectations.

“In short, the data continues to indicate that the Canadian economy is struggling to generate inflationary pressure, continuing a theme from earlier in the year.”

As such, we doubt the BoC’s prior concerns have been assuaged in the time period since March, meaning a repeat of previous guidance looks likely. That would, if realised, skew dovish relative to market expectations, which retain a tightening bias. It is also likely to pose a headwind to the loonie in the coming week too, especially if contrasted with more hawkish commentary from the Fed, later on Wednesday.

Underlying inflation measures continued to nudge lower last month, which should give the BoC some comfort, in spite of a sharp rise in energy costs



Source: Bloomberg

FOMC preview: On hold as Middle East conflict clouds the outlook

We expect the Fed to leave the federal funds rate unchanged at 3.50–3.75% at its April 29th decision, maintaining its present non-committal stance. Market pricing overwhelmingly agrees, with prediction markets assigning a 99% implied probability to no change in rates on this occasion. All eyes will therefore fall on guidance, and on Chair Powell's tone in what is likely to be his final post-meeting press conference.

As context, the backdrop has evolved since March 18th, when uncertainty prompted the FOMC to hold rates, and saw Powell striking a modestly hawkish tone. Since then, hostilities have kept oil prices elevated, while the closure of the Strait of Hormuz has disrupted global supply chains in a manner that has drawn comparisons to the pandemic. A ceasefire has helped to cool tensions somewhat over recent weeks, but deadlocked negotiations are yet to deliver a concrete resolution. Still, Fed voters now have more information regarding the economic impacts, and that should be reflected in this upcoming commentary. Indeed, the data points to a growing tension between the Fed's dual mandate objectives.

“Inflation remains above target, and the energy shock threatens to stall further disinflation, with March CPI jumping to 3.3% YoY, while core CPI growth also rose from 2.5% to 2.6%.”

Granted, that was 0.1pp below consensus expectations in both instances. But this also brings to an end the disinflationary trend that has characterised US inflation numbers over recent months, keeping rate cuts on the table for later in the year.

That said, we also think the labour market continues to soften at the margin, with some FOMC members, most notably Governor Waller, indicating a preference to stay on the sidelines in light of downside employment risks. Those concerns might have eased somewhat after a very solid 187k payrolls print in March, but that comes on the back of a -133k reduction in payrolls in February, and wage growth that is now running at a pace consistent with 2% inflation over the medium term.

With this balancing act in mind, we expect the Committee to signal optionality on the direction of its next rate move, while maintaining patience as broader price trends evolve. Our base case is that rates will be held over the next few meetings, with any cuts later in the year contingent on a meaningful de-escalation in geopolitical tensions and on signs of renewed disinflation progress. For FX, this should keep the dollar well supported, leaning against the prospect of immediate policy easing. That should, in turn, see rate differentials close in favour of greenback upside, as other central banks skew more dovish over the course of the coming week.

BoE preview: Is it transitory this time?

Transitory has become a dirty word in some circles, given the events of recent years, with the inflationary impulse that occurred in 2022 having proven notably non-transitory when all was said and done. Still, the key judgment facing the MPC at the April rate decision centers on whether the current energy price shock will prove equally sticky this time around. We see good reasons to think it will not. If the MPC agrees, then we would expect the Committee to keep rates unchanged at 3.75% with their April 30th decision, and to steer dovish relative to market pricing, which currently embeds 61bps of tightening over the remainder of this year.

Granted, since the outbreak of fighting between the US, Israel, and Iran, we have consistently argued that BoE rate hike expectations look overblown. While the current implied odds have moderated off the mid-March extremes, it is still notable that traders have gone from expecting 2 cuts, to between 2 and 3 hikes over the course of 2026 – a roughly 113bp swing. This looks puzzling to us, given the fundamentally different macroeconomic backdrop when compared to 2022 conditions.

Looking back, Covid-era fiscal stimulus was already contributing to upside inflation pressures on the eve of Russia's invasion of Ukraine. The unemployment rate stood at 3.9% and continuing to trend downward – a tight labour market in all senses, contributing to regular wage growth of almost 6.0% 3m/YoY. To cap it all off, monetary policy was unambiguously loose, with Bank Rate at only 0.5%, and the MPC having only just started to tighten policy.

“In short, it should not have been surprising that an energy price shock led to a persistent rise in price pressures.”

Compare this to today. UK growth is anemic, and fiscal policy looks set to progressively weigh on activity over the BoE's medium-term policy horizon. The labour market appears increasingly shaky, even before accounting for the likely negative impacts from the ongoing rise in prices. Granted, the unemployment rate dipped to 4.9% in February, down from 5.2% prior, but this was attributable to an alarming 0.8% rise in the inactivity rate – hardly a positive development. Private sector wage growth, meanwhile, now sits around long-run averages, tracking just shy of 3.0% YoY. And with Bank Rate at 3.75%, monetary policy is still moderately restrictive, with the BoE yet to terminate their easing cycle.

So, while the inflation rate will rise in the coming months, we do not expect price pressures to ultimately broaden and prove sticky. Our best estimate, based on current market prices for oil and gas, sees headline price growth peaking at around 4.0% YoY in Q3. That should not be overly concerning for

the BoE. Admittedly, some will point to the April DMP, which showed a sharp rise in near-term inflation expectations, and to the flash April PMIs, which indicate a similarly acute rise in prices charged across both manufacturing and services firms. Our view, however, is that this stems from a pull-forward in demand in anticipation of rising prices, unusually good weather, and an Easter holiday-related boost. Taken in the round, that suggests a temporary uptick to us, rather than signaling a more persistent rise in price growth.

“All of these factors are likely to be considered by Bank staff in detail this month, with the content of the MPR accompanying this decision, and Governor Bailey’s press conference comments, key to determining how markets interpret this meeting’s outcome.”

While the PMIs and DMP might tilt some voters in favour of a hike, we still expect a majority of the MPC to vote for a hold, and signal caution in their guidance. Indeed, if the MPR reflects our view of conditions, then it should show inflation dropping below target in the medium-term, implicitly pushing back on market expectations.

If true, this sentiment is likely to be reinforced more explicitly by Governor Bailey, who has already hinted at a high bar to rate hikes, and which we think is yet to be met by data. While we would be surprised if the Governor uses the word transitory to characterise inflation, this should be the insinuation. For the pound, the expectations pushback should prove a drag, skewing sterling risks to the downside in the coming week as markets readjust rate expectations lower to reflect the Bank’s updated guidance.

ECB preview: No need to rush

Despite some emerging speculation over the course of the past month that the ECB could choose to tighten policy next week, we fully expect the Governing Council to leave the deposit rate unchanged at 2.00% in their April decision. Worst-case fears around energy costs have not been borne out, though the growth outlook appears increasingly worrying. That mix favours further consideration in our view, and we expect President Lagarde to guide markets accordingly.

“In fact, it is a little surprising to us that markets continue to price in two ECB rate hikes before the end of the year, despite a notable downshift in leading indicators.”

Most interesting on this score were the April PMIs, which slumped into outright contraction. Granted, the surveys also pointed to a sharp rise in input prices, accompanied by a jump in manufacturing output prices. But crucially,

there was no sign of cost increases being passed on in the services sector, suggesting that any inflation uptick is likely to be limited and temporary. And in any case, with headline price growth only rising to 2.6% YoY in March, and core price growth at 2.3%, the CPI data is hardly screaming runaway inflation concerns.

“Assuming our view is shared at the ECB, we would expect pushback on the current market implied rate path.”

A sustained hold in rates looks likely at this juncture, but we see the prospect of rate hikes as hard to justify. If Lagarde signals that there is no need to rush into tweaking policy, as we expect, that should see some downside pressure on the euro, with this most likely to play out versus the dollar, in light of our expectations for more neutral Fed guidance in the week ahead.



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